BUSINESS WATCH

Building material sales helped by agriculture

(Continued from page 16)
cline by 13 percent in 1987. U.S. exports, however will rise to 40.7 million metric tons, up from 39.4 million metric tons in 1986. U.S. prices are low on world markets, and weather related production problems exist in other countries.

Wheat goes up

U.S. wheat production is likely to be up 2 percent this year, despite a sharp reduction in harvested acreage.

Total domestic usage will fail because less wheat will be used for animal feed. But a sharp rise in exports and steady gains in consumption of flour-based products by consumers will result in a modest increase in grain requirements.

Livestock sales to improve

Income from livestock sales is improving. Consumer prices for beef will be heading higher while production costs will be down.

Cattle on feedlots are up 9 percent from a year ago, the combination of higher cattle prices and inexpensive feed grains. But herd expansion will be slow.

Hog prices, which have been well over $60 per hundred pounds, will decline moderately through the end of 1988 as animal slaughter rises. But low corn prices will keep production costs in check. Profits will rise.

Size of herd reduced

The dairy termination program has reduced the size of the milk herd to its lowest level since the Department of Agriculture started estimating the summer herd in 1973.

Government price support programs have also been reduced, lowering production and increasing commercial demand for cheese and butter.

Milk prices have turned up as a result of these changes in production and demand.

Computer industry rebounds

A number of West North Central states—Minnesota and Missouri in particular—have a concentration in manufacturing capital goods and automobiles.

The computer industry is on the rebound now, and other types of producers' durable equipment will respond favorably to the lower dollar and higher operating rates in manufacturing.

The big question mark for manufacturing is the auto sector. Sales are down from a year ago because of prior sales promotions, and the possibility of an auto strike cannot be dismissed.

Minnesota, Iowa strongest

The strongest states for building material sales gains in the West North Central states are likely to be Minnesota and Iowa.

Minnesota has a high technology economic base; Iowa is rebounding from a very low level. Both have the strongest employment growth rates from a year ago, and resale gains in 1986 were very high.

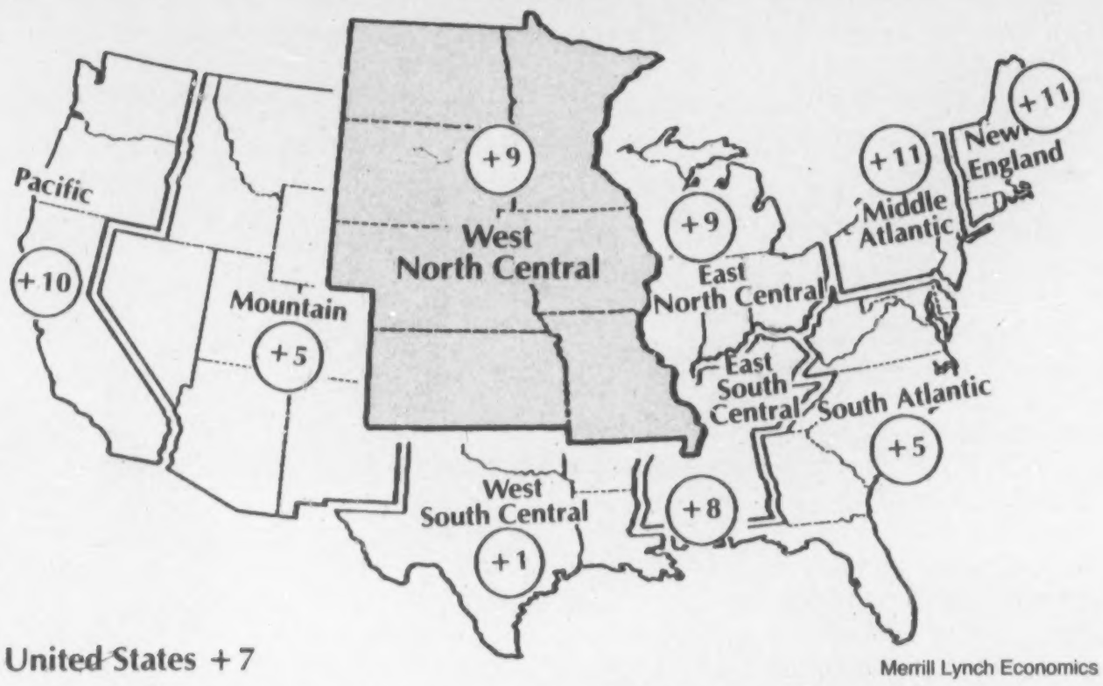
Growth expected

Growth, near the regional average of 9 percent, will occur in Kansas, Missouri and Nebraska. Employment growth is about 1 percent and resale markets have been strong.

The weakest states for sales, however, will be North Dakota and South Dakota. Employment growth is only 0.4 percent from a year ago and resale markets are sluggish.

Building Material and Supply Store Sales Outlook for 1987

Percent Change Unit Volume



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Merrill Lynch Economics

Sales are real dollar increases vs. previous year after inflation.

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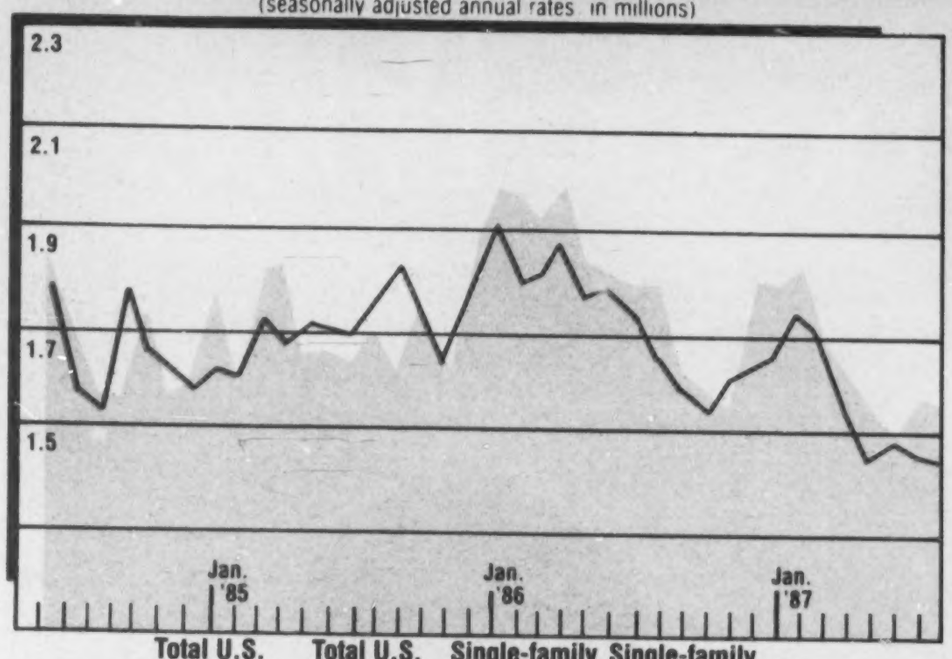
HOUSING WATCH

National housing starts and permits
(seasonally adjusted annual rates, in millions)

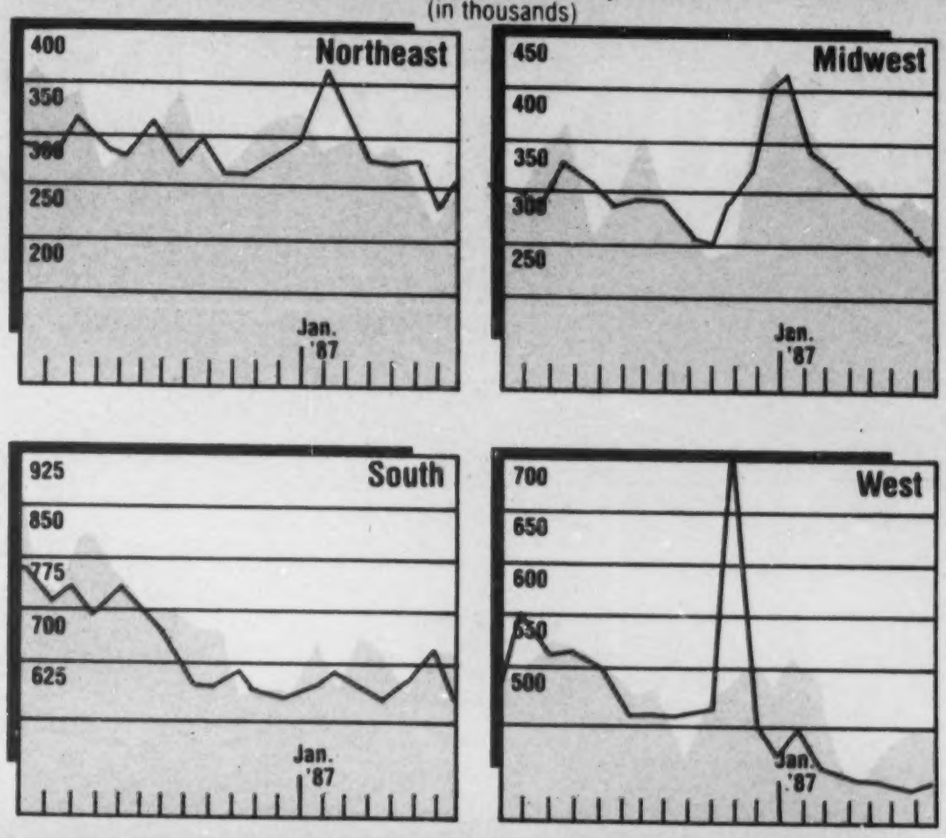


	Total U.S. starts	Total U.S. permits	Single-family starts	Single-family permits
August '87[p]	1,582	1,486	1,098	1,010
July '87[r]	1,606	1,487	1,150	993
August '86	1,822	1,654	1,197	1,031

[p]preliminary [r]revised Source: U.S. Commerce Department

Key: permits, starts

Regional housing starts and permits
(in thousands)



August starts hit low point; forecast gloomy

By Ariane Sains
NHCN staff editor

NATIONAL REPORT — Housing starts in August hit their lowest point since April 1983, and economists made gloomy predictions for the rest of the year.

The Commerce Department reported that starts were down 1.5 percent nationally. At the same time, mortgage rates continued to increase, a bad signal for potential home buyers.

And John Tuccillo, chief economist for the National Association of Realtors warned that "the August figures are a lot worse than they look. The whole thing was sustained by an increase in multifamily [units], and that's not something you can count on."

Multifamily starts were up 6.1 percent, to 484,000 units, from 456,000 in July.

Nationally, total starts slipped from 1,606,000 in July to 1,582,000. Single-family starts dropped from 1,150,000 to 1,098,000. Starts have been off five of the past six months.

Regional Housing
July '87 (in thousands)

	starts	% chg.	permits	% chg.
Northeast	248	−13.9	255	−9.6
West	426	− 2.5	384	−4.6
South	634	− 0.8	598	+8.7
Midwest	274	+10.9	249	−1.2

n.c. = no change
Source: U.S. Commerce Department

Total building permits slipped from 1,487,000 to 1,486,000, but single-family permits increased from 993,000 to 1,010,000.

The permit increase was due entirely to the South, where applications were up 8.7 percent. Starts in the region declined only 0.8 percent.

Starts were up 10.9 percent in the Midwest, while permits were down 1.2 percent.

The largest decline in both categories came in the Northeast, where starts dropped 13.9 percent and permits declined 9.6 percent.

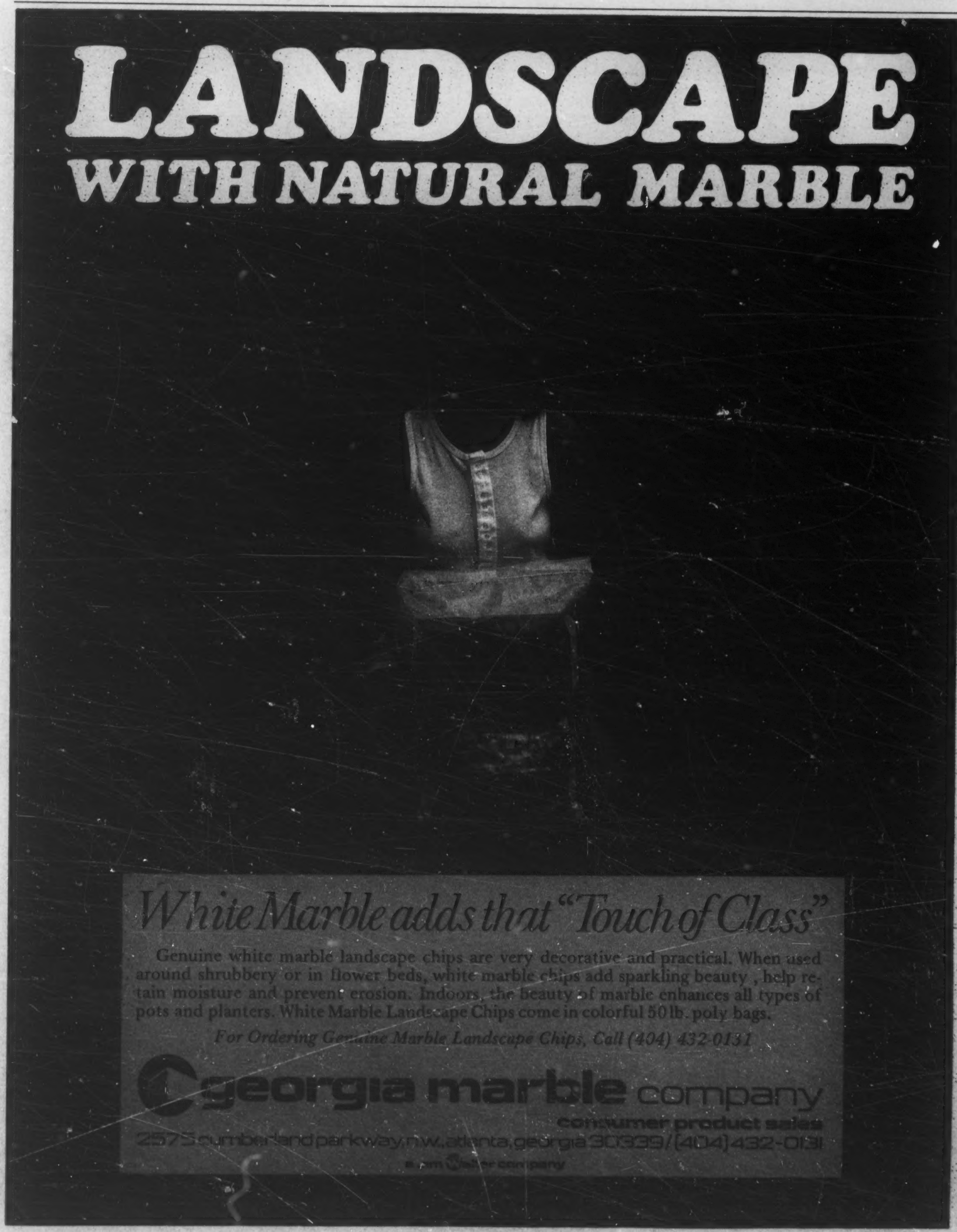
Mark Obrinsky, senior economist for the U.S. League of Savings Institutions, attributed the Northeast decline to rising land prices. He said rising mortgage rates along with housing scarcity in the region could squeeze out marginal buyers.

Economists have jettisoned previous optimistic predictions and now say starts will be down for the year.

The Mortgage Bankers Association's senior economist Richard Peach said the weakness would run through 1988.

And he said the drop in starts may mean builders' inventories of homes are at higher levels than normal.

With mortgage rates up almost two percentage points since March—and fixed-rate mortgages thought to be at 12 percent by January—the housing surplus doesn't necessarily spell more sales.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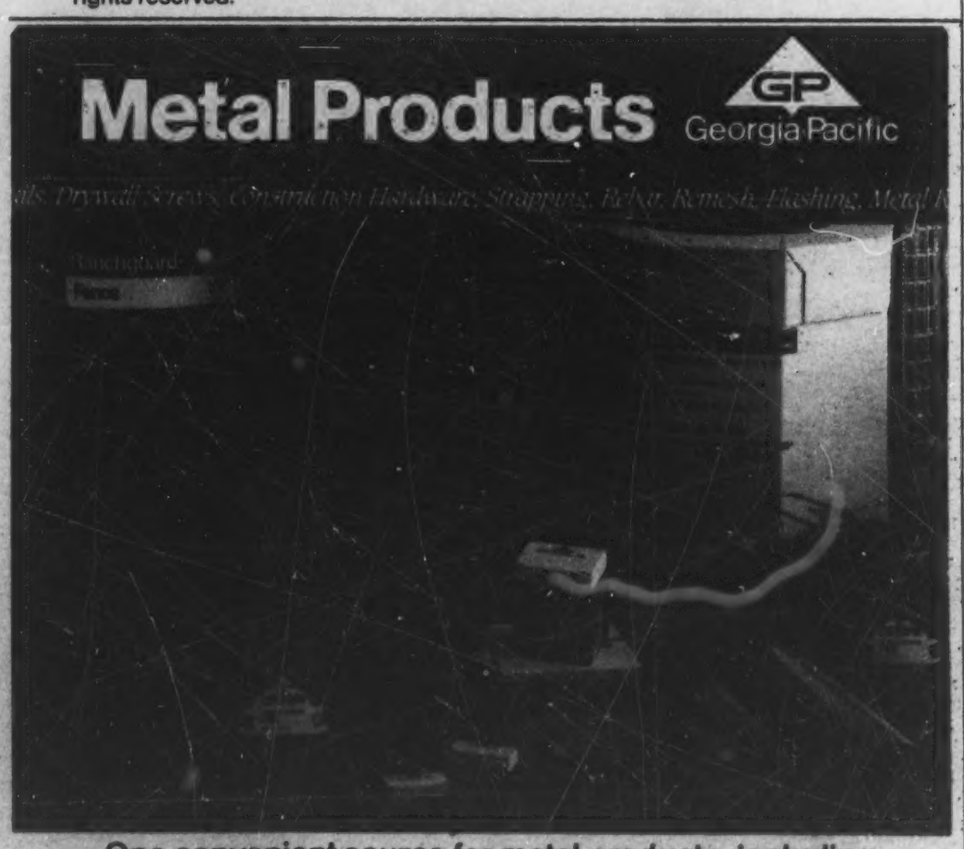

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LUMBER REPORT

Lumber prices reach decade high as dealers scramble for inventory

(Continued from page 1)

A combination of factors—including record U.S. and Canadian mill exports overseas, the Canadian rail strike, high domestic consumption (especially for treated material), and a psychological fear of future scarcity brought on by Northwest forest fires (*see story page 22*)—has sent prices to points seen only once before this decade.

For the week of September 4th, *Random Length's* framing lumber composite—a combined average of nine major products and species—was $263 per thousand board feet, 25 percent higher than the $210 price for the same period a year ago.

Not since the spring of 1983 have price points been as high.

In certain products and species, however, the trend was even more dramatic. Last year, 2x4 No.2 kiln dried southern yellow pine ended the week at $213 a thousand board feet, a 36 percent jump over last year's level to $290 per thousand board feet.

The impact of exports on domestic supplies appears to have been a pivotal reason why prices were high and supply scarce. According to *Random Lengths*, the export market marked the first time in seven years supplies dwindled because of more lucrative markets overseas. Both Canadian and U.S. exports to Japan and Europe broke previous highs with a whopping 12 percent of Canadian production heading overseas.

A study by the Department of Agriculture estimated that $1.8 billion of American wood products was shipped overseas in the first six months of this year, up 24 percent. The study said the softening of the U.S. dollar made the overseas markets, particularly Japan, appetizing for U.S. exports.

Buyers report record sales

Although prices were beginning to soften by mid-September, buyers were on one hand surprised by the inflating trading levels and on the other, encouraged by turns in inventory.

"We haven't seen prices this high, I guess, since the third quarter of 1983," said Andrew Eckert, president of Butz Building Materials, a four-unit chain based in the resort community of Mt. Poconos, Pa. "The last 60 days have been tight supplies and high prices. Lead times are two to four weeks out.

"So we are carrying a little more just to be on the safe side. But without question, this has been our best year [for selling lumber]."

Kurt Dallesasse, lumber buyer for Siegle Home and Building Center, Elgin, Ill., also found good lumber turns this summer, but reported the wider lengths, such as 2x10s, were expensive.

Dallesasse said the company had record sales months for five consecutive months and often had to resort to wholesalers—a practice the company frowns on—to fill in on some items as supplies in its inventory diminished.

Binney, the Kansas City independent who bought from Builders Square, said he had to contemplate that action when plywood went from $189 a thousand square feet to $222 in a matter of two weeks.

'Just-in-time' stock levels

"It got so bad at one point that we were down to just 30 sheets of ½-in CDX," Binney said. "We were operating a just-in-time inventory. It's odd because we have access to Weyerhaeuser and G-P distribution centers."

With some signs of softening in prices, Tom Olsen, lumber buyer for Ed Hines Lumber, Chicago, said the company is backing away from an earlier position of stocking heavy, and was looking to purchase for need.

"Today we are buying for need," Olsen said. "Earlier this year we were buying for inventory and were in a good position because we had a reload nearby, but prices are going down. They are not crashing, but drifting lower."

A salesman for a major Northeast wholesale operation said the company's buyers bought heavily earlier this year, to the point that some were worried that the distributor was oversupplied. But by the summer, the company itself was looking for product, said the salesman, who asked not to be named.

"We were carrying 20 to 25 percent more inventory than last year," the salesman said, "and we still ran out trying to meet our orders."

Concern over market shifts

To portray how tight the market has been in the busy Northeast, this salesman told of overhearing two retail dealers at a bar agreeing to trade items with each other because they could not get certain cedar and pine products from wholesalers.

"We think the industry could have used a little inflation," said Eckert, the president of Butz Building Materials, "But if interest rates keep going up, it will make a critical difference."

Fires shouldn't affect lumber pricing

By an NHCN staff editor

PORTLAND, Ore. — The fires that destroyed more than a half million acres of forest land in the Pacific Northwest are not expected to influence the price or supply levels of lumber.

Authorities said the fires, which have been burning intermittently since the Fourth of July weekend but were raging by Labor Day, destroyed some 630,000 acres of forest land in eight states, left three persons dead, and forced the evacuation of 8,000 people, mostly in California.

Much of the damaged land was federally owned or part of the national park system.

The hardest hit region was 100,000 acres of the Stanislaus National Forest in California, just west of Yosemite National Park. A spokesman for the Federal Bureau of Land Management in Sacramento said the state stands to lose about 375,000 acres of forest land—about the size of Rhode Island—to fire.

While California suffered the most, Washington, Oregon, Montana, Idaho, South Dakota and Wyoming also saw hundreds of thousands of forest acreage devastated by late summer infernos. Fire fighting ranks were severely thinned in many cases, prompting officials to concentrate on those fires closest to inhabited regions. Those kinds of decisions forced officials to abandon fighting a six-week-old fire in the wilderness of Idaho near the Cascade Mountains that has reportedly scorched an area the size of Manhattan.

Salvage operation next

Barry Lachter, a spokesman for Louisiana-Pacific, Portland, Ore., said about 3,000 acres of L-P's commercial forest land were damaged in California. He said it represented about 30 million board feet of lumber. Through salvage techniques the company has the chance to recover about 25 million board feet from the forest, he said.

Dick Pland, a resource manager for the Fiberboard Corporation, an L-P subsidiary based in Standard, Calif., said his crews will probably have up to 18 months to harvest the trees before they become too weak to use as framing lumber. Failure to harvest by then will mean the trees will be used for pulp, he said. Because trees do not burn through to the cores, even in the most intense fires, foresters are able to salvage timber even though the trees are dead.

Peggy O'Farrell, a spokesperson for the Weyerhaeuser Corp., Tacoma, Wash., said the company's forest land was not part of the wave of fires. However, because of the season's long drought, the company is restricting some of its logging operations as a safeguard against further fires.

Random Lengths reported that the fire has caused some small plywood operations and other mills to close. But the trading newsletter said foresters will have two to three years to salvage the killed timber, increasing the supply of douglas fir, hem fir and ponderosa pine.

Some fires were still raging in California, Oregon and Idaho in mid-September.

FINANCIAL NEWS

Cutting inventory costs can improve company's profit

Phillip M. Perry
NHCN staff editor

While there's not much consensus on methods of calculating inventory holding costs, no one doubts the importance of paring these costs as much as possible.

Behind the Numbers

For a group of 10 publicly held home center retailers, inventory accounts for a median of 38 percent of total assets.

The portion varies from 21 percent at Strober Organization to 57 percent at National Lumber.

Failure to manage properly such a large and ever-changing asset can lead to financial difficulties.

How much does it really cost to hold inventory?

The prime rate of 8.5 percent—the cost of short-term debt—represents the minimum cost of holding inventory. If a $70 million retailer has a reasonable inventory of $10 million, the annual pretax holding cost would be $850,000.

Inventory as a Portion of Total Assets
(Average Inventory Divided by Average Assets)

National Lumber	57%
Pay 'N Pak	47
General Building Products	41
The Home Depot	41
Payless Cashways	39
Lowe's	37
Scotty's	37
Wolohan	26
Hechinger	24
Strober Organization	21
Median	**38**

Source: 1986 Company reports. *NHCN* chart.

But consultants note that other costs such as inventory obsolescence (leading to shelf markdowns), labor to handle the stuff, overhead, insurance and taxes, need also be factored in and can jack up holding costs to between 20 percent and 30 percent of inventory.

They say merchandise obsolescence and shrink might come to 5 percent, labor at 4 percent, building depreciation at 2 percent and insurance plus taxes at 1 percent. (These percentages will vary widely from chain to chain, however.)

A company with $10 million in inventory, then, might well pay $2.5 million in pretax holding costs.

That comes down to $1.5 million in after-tax expense, given a 40 percent tax rate.

These are appreciable amounts. If the $70 million retailer were getting a reasonable home center net margin of 3 percent, its earnings would be $2.1 million. If all inventory carrying costs were added back, its net profit would be $3.6 million, boosting net margin to 5.1 percent.

As discussed in a previous column, retailers juggle a variety of factors to obtain favorable vendor financing (*NHCN*, Sept. 21).

Vendor financing is a mixed blessing, though, given the availability of discounts for prompt payment of merchandise retailers receive.

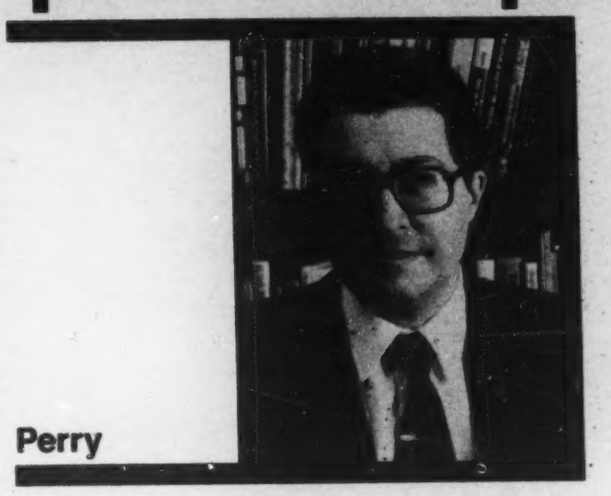
The retailer who takes advantage of a 2 percent discount in 10 days achieves a 36 percent annual percentage rate on the cash loaned to the vendor.

The reasoning goes like this: Standard terms call for payment within 30 days. Since the retailer pays within 10 days, the retailer is loaning the cash to the vendor for 20 days. The number 360—being a rounded days of the year—divided by 20 results in 18. Multiply that by 2 percent to get a 36 percent annual percentage rate.

Most retailers can't get that kind of return elsewhere.

The retailer can approach the problem much more aggressively by reducing the time it takes to send orders to vendors.

By using an electronic ordering system like Eagle, based in Columbus, Ohio, or the more old-fashioned facsimile machine, the retailer can cut the amount of safety stock required for the store shelf or warehouse.


Perry

Retailers using such devices report lead-time reductions averaging five days. If lead time comes to 28 days, then a five-day cut reduces safety stock by about 18 percent.

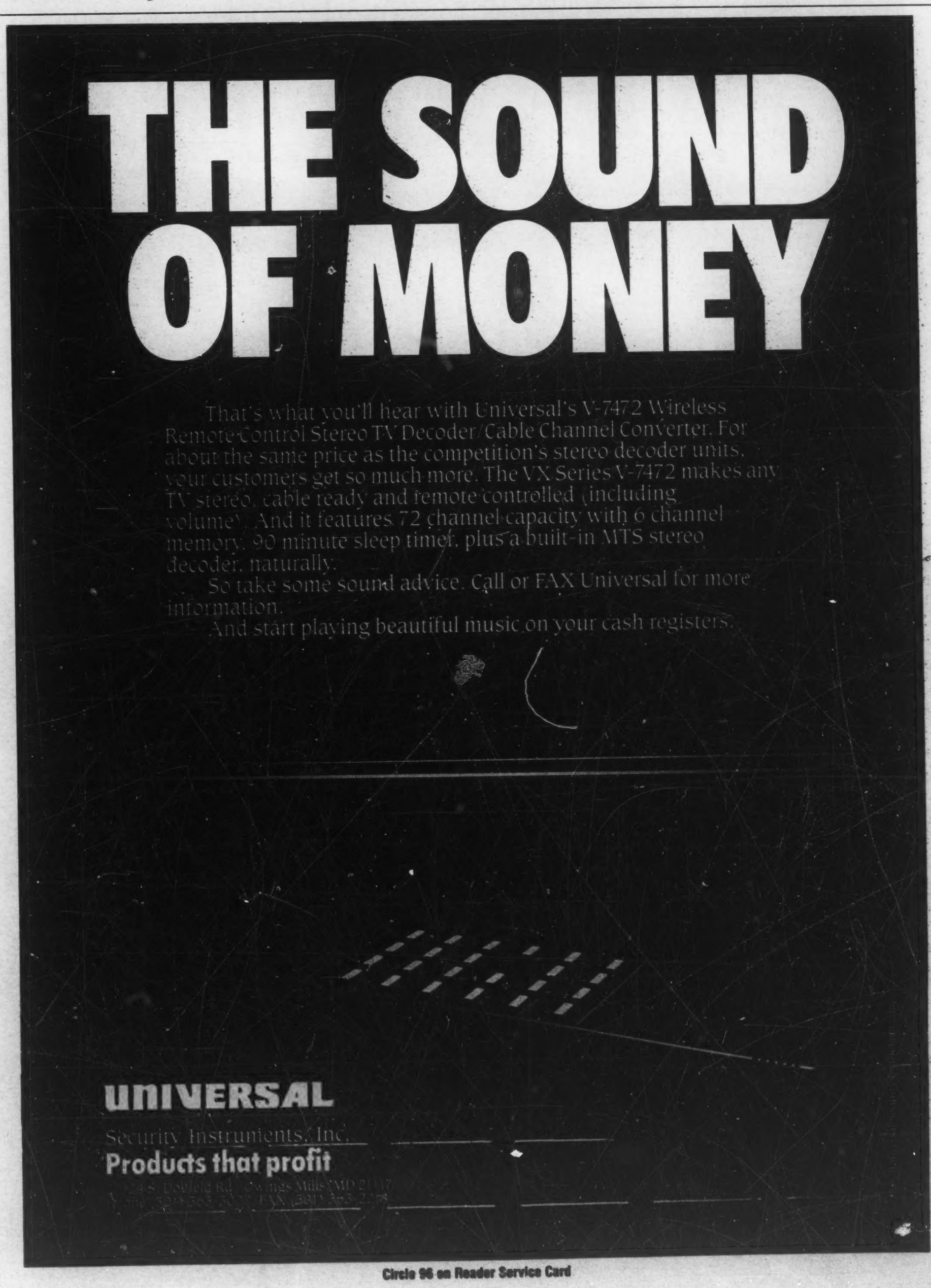
If the $70 million retailer's entire inventory is cut by 10 percent through electronic ordering, then $1 million in inventory is cut.

At a 25 percent inventory carrying cost, $250,000 in pretax earnings are gained through electronic ordering.

Added back, the $150,000 in after-tax gains would raise the net profit of that retailer to $2.3 million from $2.1 million. So net margin would be 3.2 percent of revenues, up from 3 percent without electronic ordering.

* * *

The bottom line—In a September *Nation's Business* reader poll, 75 percent of business people said the government should not mandate catastrophic health insurance for employees.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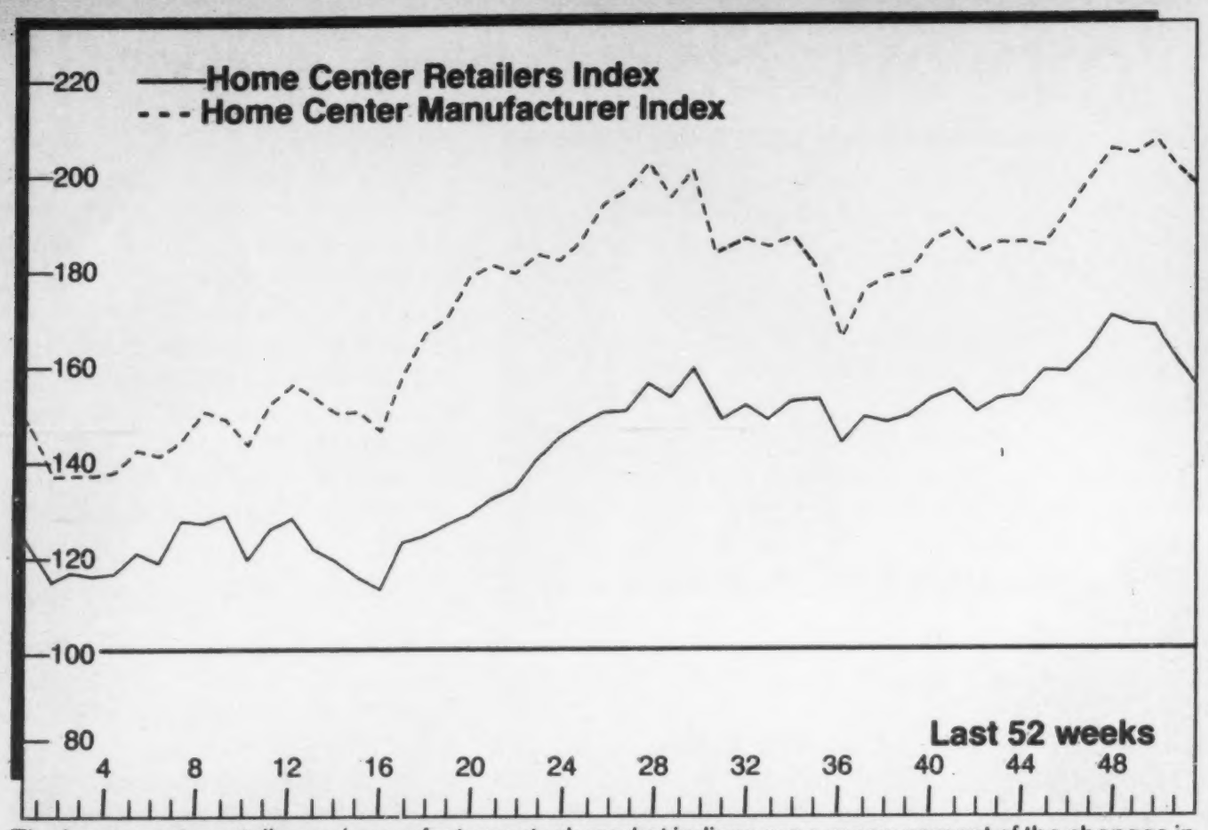
FINANCIAL NEWS

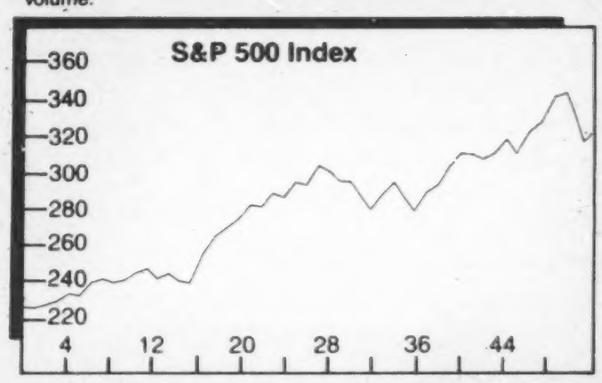


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on February 5, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

MOST ACTIVE STOCKS

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
9-18-87	(100)	%	%
Gen Bldg Prods ..... M	624	147.6	- 4.7
Waxman Ind ..... M	1,851	142.1	1.1
Wickes n ..... N	17,527	139.9	-.5.3
Hechinger B ..... M	794	133.3	.0
Home Depot ..... N	13,075	124.2	- 2.2
PPG Inds ..... N	39,196	123.1	.3
USG Corp ..... N	26,756	112.6	- 10.4
Wolohan Lumber ..... M	2,913	111.5	- 7.0
Macmillan Bloedel ..... M	18,024	108.2	- 4.2
K mart Cp ..... N	63,750	91.5	- 5.3

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



PRICE MOVEMENT

Winners Company & Market	2-Weeks Ended 9-18	2-Week Price Change	Total 2-Week Volume
9-18-87	$	%	(100)
Union Camp ..... N	43.50	6.1	14,062
La Pacific ..... N	37.38	4.9	12,907
Strober Organiz ..... M	10.75	4.9	440
Champ Intl ..... N	39.75	4.6	35,950
Zayre Corp ..... N	29.50	4.0	47,556
Stanline Inc ..... M	13.50	3.8	368
Cooper Indus ..... N	68.38	3.8	12,354
Pope & Talbot ..... N	23.13	2.2	2,285
Scotty's Inc ..... N	14.25	1.8	1,219
Triangle Ind ..... N	39.75	1.3	3,797
Losers	$	%	(100)
Am Woodmark ..... M	12.00	- 11.1	425
Payless Cash ..... N	18.25	- 11.0	12,792
USG Corp ..... N	41.13	- 10.4	26,756
Manville Cp ..... N	3.38	- 10.0	6,689
Natl Hardgoods ..... M	8.00	- 9.9	202
Wolohan Lumber ..... M	15.00	- 7.0	2,913
Owens Corn ..... N	22.38	- 6.3	13,095
Am Standard ..... N	49.25	- 6.2	5,051
Boise Cascade ..... N	77.75	- 5.5	11,027
Armstrng Wrld ..... N	39.75	- 5.4	10,590

National Home Center News

HOME CENTER MARKET SUMMARY

Stock Market

Company and Market	2-Weeks Ended 9-18-87	Price 2-Weeks Change Amt.	Price 2-Weeks Change Pct.	Price 2-Week Range High	Price 2-Week Range Low	Price 52-Week Range High	Price 52-Week Range Low	Volume 2-Weeks Shares Traded Total	Volume 2-Weeks Shares Traded % Out	Volume 12-Week Avg. Vol. As % Out	Volume Trend Change
-	$	$	%	$	$	$	$	(100)	%	%	%
Retailers											
Gen Bldg Prods ..... M	10.25	- .50	- 4.7	10.75	10.25	12.50	9.25	624	1.56	.63	147.6
Grossman's Inc ..... M	8.75	- .38	- 4.1	9.13	8.50	11.25	6.75	9,742	4.87	5.52	- 11.8
Hechinger A ..... M	23.75	- .25	- 1.0	24.50	23.50	26.50	16.00	8,071	7.38	6.20	19.0
Hechinger B ..... M	23.75	.00	.0	24.25	23.50	26.75	16.25	794	.49	.21	133.3
Home Depot ..... N	38.13	- .88	- 2.2	40.25	37.50	42.13	16.50	13,075	4.44	1.98	124.2
INTERCO Inc ..... N	48.38	- 2.50	- 4.9	51.00	48.38	54.00	36.63	7,498	2.62	1.51	73.5
K mart Cp ..... N	40.00	- 2.25	- 5.3	43.25	40.00	48.38	28.84	63,750	3.16	1.65	91.5
Lowe's Cos ..... N	25.38	- 1.38	- 5.1	26.63	24.88	32.75	22.50	9,265	2.34	1.29	81.4
Natl Hardgoods ..... M	8.00	- .88	- 9.9	8.50	7.50	10.00	6.88	202	1.49	1.08	38.0
Natl Lumber ..... M	5.00	.00	.0	5.50	5.00	7.50	4.00	293	.52	.35	48.6
Pay n Pak ..... N	20.63	- .25	- 1.2	20.88	20.50	21.50	10.13	251	.25	4.40	- 94.3
Payless Cash ..... N	18.25	- 2.25	- 11.0	20.75	18.25	26.88	15.88	12,792	3.69	2.14	72.4
Scotty's Inc ..... N	14.25	.25	1.8	14.88	13.25	15.88	12.00	1,219	.83	.54	53.7
Sears, Roebuck ..... N	51.63	- .63	- 1.2	54.00	51.00	59.50	39.00	61,651	1.64	1.03	59.2
Std Brd Pnt ..... N	28.25	- 1.13	- 3.8	29.50	28.00	31.88	20.50	10,283	9.22	7.39	24.8
Strober Organiz ..... M	10.75	.50	4.9	11.00	10.50	15.25	10.25	440	.72	.91	- 20.9
Supermkts Gen ..... N	37.63	- 1.38	- 3.5	39.50	37.50	46.75	22.50	3,790	.98	.67	46.3
Wickes n ..... N	18.00	- 1.00	- 5.3	19.38	17.75	25.00	15.63	17,527	3.67	1.53	139.9
Wolohan Lumber ..... M	15.00	- 1.13	- 7.0	16.25	15.00	18.75	7.63	2,913	4.97	2.35	111.5
Zayre Corp ..... N	29.50	1.13	4.0	31.75	26.50	32.88	20.75	47,556	8.18	5.09	60.7
Wholesalers											
Hughes Supply ..... N	26.75	- .38	- 1.4	27.75	26.75	30.25	20.63	326	.98	.74	32.4
Moore Handley ..... M	8.25	.00	.0	8.25	8.25	12.00	6.75	239	.96	.84	14.3
Lewis Palmer ..... M	8.75	- .13	- 1.4	8.88	8.50	9.88	7.25	1,136	2.82	2.07	36.2
Stanline Inc ..... M	13.50	.50	3.8	13.75	12.75	14.00	8.00	368	2.17	1.48	46.6
Manufacturers											
Am Consum Prods ..... M	13.50	- .50	- 3.6	14.00	13.50	14.25	8.50	592	2.85	2.65	7.5
Am Standard ..... N	49.25	- 3.25	- 6.2	52.25	48.25	55.00	38.25	5,051	1.57	1.64	- 4.3
Am Woodmark ..... M	12.00	- 1.50	- 11.1	12.88	11.63	17.13	10.50	425	.62	.37	67.6
Armstrng Wrld ..... N	39.75	- 2.25	- 5.4	42.50	39.00	47.38	25.25	10,590	2.23	1.91	16.8
Black & Decker ..... N	24.63	- .38	- 1.5	25.13	23.13	26.50	15.38	17,921	3.08	2.18	41.3
Boise Cascade ..... N	77.75	- 4.50	- 5.5	82.25	77.25	86.88	56.13	11,027	3.79	2.02	87.6
Certain-teed ..... N	41.50	- .50	- 1.2	42.38	40.88	45.75	28.25	1,749	.92	.71	29.6
Champ Intl ..... N	39.75	1.75	4.6	40.25	36.50	43.50	24.38	35,950	3.82	2.04	87.3
Clairson Intl ..... M	10.25	- .25	- 2.4	10.50	9.75	18.25	9.75	214	.42	2.67	- 84.3
Cooper Indus ..... N	68.38	2.50	3.8	69.00	63.25	71.88	37.75	12,354	2.49	1.48	68.2
DeSoto Inc ..... N	39.13	- .38	- .9	40.50	39.13	43.75	36.88	449	1.14	.74	54.1
Emhart Corp ..... N	48.38	- .50	- 1.0	50.63	47.88	52.63	30.75	5,894	1.89	1.02	85.3
Georgia Pacific ..... N	42.75	- .38	- .9	45.25	41.25	52.75	34.00	25,180	2.28	2.21	3.2
Insilco Corp ..... N	23.38	- .50	- 2.1	23.88	22.25	28.13	18.31	5,746	2.76	1.47	87.8
La Pacific ..... N	37.38	1.75	4.9	38.13	34.63	39.75	24.41	12,907	3.37	2.80	20.4
Macmillan Bloedel ..... M	20.13	- .88	- 4.2	21.13	19.75	22.38	8.50	18,024	1.77	.85	108.2
Manville Cp ..... N	3.38	- .38	- 10.0	3.75	3.00	5.38	1.63	6,689	2.79	2.90	- 3.8
Masco Corp ..... N	33.88	- 1.13	- 3.2	35.25	32.50	40.88	23.50	20,908	1.58	1.04	51.9
Mor-Flo Inds ..... M	10.75	- .50	- 4.4	11.00	10.50	14.38	10.50	75	.30	.26	15.4
Newell Co ..... N	40.38	.25	.6	41.25	39.25	43.00	24.38	1,062	.93	1.21	- 23.1
Nortek Inc ..... N	12.75	- .38	- 2.9	13.75	12.25	17.38	11.75	4,024	2.48	1.30	90.8
Owens Corn ..... N	22.38	- 1.50	- 6.3	24.75	22.25	32.38	8.88	13,095	3.49	3.34	4.5
Ply-Gem ..... A	16.25	- .63	- 3.7	16.88	15.13	18.13	10.00	1,271	1.14	1.02	11.8
Pope & Talbot ..... N	23.13	.50	2.2	24.50	20.50	27.25	9.81	2,285	1.90	1.32	43.9
Potlatch Cp ..... N	35.13	.38	1.1	36.00	33.00	41.88	26.25	4,360	1.63	1.00	63.0
PPG Inds ..... N	46.13	.13	.3	47.13	43.13	53.50	31.75	39,196	3.28	1.47	123.1
Sherwin-Wms ..... N	32.25	- .50	- 1.5	33.38	31.88	38.50	22.75	8,362	1.88	1.13	-66.4
Stanley Works ..... N	34.25	.00	.0	35.00	32.25	36.63	24.13	3,276	.77	.56	37.5
Thos Inds ..... N	20.88	- .63	- 2.9	21.50	20.63	22.63	15.50	658	.66	.44	50.0
Triangle Ind ..... N	39.75	.50	1.3	40.63	38.25	44.00	23.75	3,797	1.57	1.57	.0
Union Camp ..... N	43.50	2.50	6.1	44.13	40.38	48.19	33.69	14,062	1.91	1.47	29.9
USG Corp ..... N	41.13	- 4.75	- 10.4	45.75	40.63	47.38	31.00	26,756	5.23	2.46	112.6
Walter, Jim ..... N	59.75	- .25	- .4	59.88	59.63	62.38	32.41	27,231	6.86	6.02	14.0
Waxman Ind ..... M	11.75	.13	1.1	12.13	11.38	13.25	6.34	1,851	2.93	1.21	142.1
Weyerhaeuser ..... N	51.25	- 1.69	- 3.1	52.75	50.25	60.00	33.75	42,745	3.16	1.90	-66.3

Financial Update

Company and Market	P/E Ratio	Indicated Divd. Rate Amt.	Indicated Divd. Rate Yld.	Latest Report New Report	Latest Report Period	Latest Report Date Ended	Latest Quarter Revenue Amt.	Latest Quarter Revenue Chg.	Latest Quarter Net Income Amt.	Latest Quarter Net Income Chg.	Latest Quarter E.P.S. Amt.	Latest Quarter E.P.S. Chg.	Year-to-Date Revenue Amt.	Year-to-Date Revenue Chg.	Year-to-Date Net Income Amt.	Year-to-Date Net Income Chg.	Year-to-Date E.P.S. Amt.	Year-to-Date E.P.S. Chg.
-	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																		
Gen Bldg Prods ..... M	13.7	.00	.0	.....	6 mos.	05-87	16.9	16.6	.7	40.0	.20	11.1	29.8	24.7	1.0	66.7	.29	38.1
Grossman's Inc ..... M	NE	.00	.0	.....	6 mos.	06-87	310.7	32.3	8.2	NE	.41	NE	502.7	7.0	1.7	NE	.09	NE
Hechinger A ..... M	NA	.16	.7	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	21.4	.06	.3	.....	6 mos.	07-87	203.8	25.7	12.2	45.2	.38	40.7	368.6	23.3	19.8	48.9	.62	44.2
Home Depot ..... N	28.2	.02	.1	.....	6 mos.	07-87	381.4	44.7	15.6	116.7	.50	78.6	715.4	47.2	28.4	130.9	.93	93.8
INTERCO Inc ..... N	14.7	1.60	3.3	.....	3 mos.	05-87	781.4	34.9	26.5	84.0	.62	34.8	781.4	34.9	26.5	84.0	.62	34.8
K mart Cp ..... N	12.5	1.16	2.9	.....	6 mos.	07-87	6304.3	5.4	145.4	22.8	.71	22.4	11898.7	6.3	260.9	24.2	1.28	21.9
Lowe's Cos ..... N	17.4	.44	1.7	.....	6 mos.	07-87	725.0	10.2	22.8	7.5	.57	5.6	1294.2	8.6	35.7	9.5	.90	5.9
Natl Hardgoods ..... M	10.4	.00a	.0	NEW	6 mos.	07-87	13.6	24.8	.5	25.0	.32	28.0	22.4	28.7	.5	25.0	.35	25.0
Natl Lumber ..... M	NE	.00	.0	NEW	*	07-87	NC	NC	NC	NC	NC	NC	81.8	NC	.4	NC	.07	NC
Pay n Pak ..... N	26.4	.40	1.9	.....	3 mos.	05-87	115.4	9.8	4.4	91.3	.44	91.3	115.4	9.8	4.4	91.3	.44	91.3
Payless Cash ..... N	14.4	.16	.9	.....	6 mos.	05-87	489.8	14.2	16.2	3.8	.47	4.4	821.9	16.9	19.7	9.4	.57	9.6
Scotty's Inc ..... N	20.1	.52	3.6	.....	fiscal	06-87	136.4	1.3	3.3	- 13.2	.23	- 11.5	515.3	4.3	10.3	- 23.7	.71	- 23.7
Sears, Roebuck ..... N	12.6	2.00	3.9	.....	6 mos.	06-87	11718.0	9.0	390.4	37.0	1.03	33.8	22198.0	10.2	678.3	41.3	1.78	38.0
Std Brd Pnt ..... N	20.5	.60	2.1	NEW	6 mos.	07-87	92.4	3.6	5.3	10.4	.48	14.3	171.8	2.9	8.4	3.7	.76	7.0
Strober Organiz ..... M	11.4	.00	.0	.....	6 mos.	06-87	26.3		1.6		.26		47.6		2.6		.43	
Supermkts Gen ..... N	34.2	.31	.8	NEW	6 mos.	07-87	1471.3	.8.1	3.5	- 82.4	.09	- 82.7	2872.4	6.4	13.9	- 56.8	.36	- 58.1
Wickes n ..... N	6.2	.00	.0	NEW	6 mos.	07-87	1453.9	30.8	27.4	31.7	.55	- 15.4	2994.3	42.1	110.1	201.6	2.25	200.0
Wolohan Lumber ..... M	12.2	.20	1.3	.....	6 mos.	06-87	64.6	17.2	2.6	44.4	.43	43.3	105.6	26.9	3.6	111.8	.61	117.9
Zayre Corp ..... N	10.6	.40	1.4	.....	6 mos.	07-87	1402.9	15.7	78.2	768.9	1.30	766.7	2698.7	19.6	99.2	286.0	1.66	286.0
Wholesalers																		
Hughes Supply ..... N	11.7	.40	1.5	.....	6 mos.	07-87	109.1	25.1	2.2	22.2	.68	23.6	204.9	17.4	4.2	23.5	1.26	16.7
Moore Handley ..... M	18.8	.00	.0	.....	6 mos.	06-87	23.4	14.1	.4	.0	.14	- 6.7	47.0	14.9	.7	.0	.28	- 20.0
Lewis Palmer ..... M	23.6	.28	3.2	.....	6 mos.	07-87	58.0	24.5	.4	.0	.09	- 25.0	110.9	37.9	.7	40.0	.18	28.6
Stanline Inc ..... M	12.2	.32b	2.4	NEW	9 mos.	07-87	15.7	- 4.3	.5	.0	.30	20.0	47.0	7.3	1.4	27.3	.80	31.1
Manufacturers																		
Am Consum Prods ..... M	20.1	.00	.0	.....	6 mos.	06-87	10.5	20.7	.4	100.0	.20	5.3	19.7	18.7	.7	250.0	.34	61.9
Am Standard ..... N	13.2	1.80	3.7	.....	6 mos.	06-87	878.1	12.0	39.2	- 51.1	1.24	- 41.8	1657.8	13.5	60.8	- 53.3	1.89	- 44.9
Am Woodmark ..... M	13.3	.00	.0	.....	3 mos.	07-87	31.8	12.0	1.3	- 27.8	.19	- 36.7	31.8	12.0	1.3	- 27.8	.19	- 36.7
Armstrng Wrld ..... N	13.7	.90	2.3	.....	6 mos.	06-87	596.6	22.5	41.1	21.6	.87	24.3	1137.7	23.9	73.0	28.7	1.54	30.5
Black & Decker ..... N	34.2	.40	1.6	.....	9 mos.	06-87	465.0	11.6	9.0	221.4	.15	400.0	1432.7	5.9	40.6	60.5	.69	50.0
Boise Cascade ..... N	20.0	1.90	2.4	.....	6 mos.	06-87	936.0	.0	35.2	12.5	1.16	8.4	1846.2	.2	75.4	33.9	2.47	30.0
Certain-teed ..... N	13.2	1.00	2.4	.....	6 mos.	06-87	290.7	1.6	14.8	- 8.6	.77	- 9.4	557.5	3.0	29.3	9.7	1.54	9.2
Champ Intl ..... N	11.0	.80	2.0	.....	6 mos.	06-87	1161.0	5.9	155.7	208.3	1.64	221.6	2258.2	1.8	211.2	191.3	2.23	214.1
Clairson Intl ..... M	23.8	.00	.0	.....	9 mos.	06-87	18.6	30.1	.5	.0	.08	- 38.5	53.8	26.0	1.5	7.1	.30	- 21.1
Cooper Indus ..... N	21.2	1.68	2.5	.....	6 mos.	06-87	895.2	- .6	45.4	23.7	.91	19.7	1695.7	- 4.1	73.0	- 16.8	1.47	14.0
DeSoto Inc ..... N	25.1	1.40	3.6	.....	6 mos.	06-87	118.7	- 9.7	6.8	38.8	1.73	69.6	209.0	- 8.5	9.0	23.3	2.27	48.4
Emhart Corp ..... N	NM	1.60	3.3	.....	6 mos.	06-87	629.0	19.2	28.8	37.8	.92	29.6	1231.6	18.7	56.8	42.0	1.82	30.9
Georgia Pacific ..... N	11.5	1.00	2.3	.....	6 mos.	06-87	2095.0	8.6	148.0	72.1	1.35	70.9	3950.0	11.8	228.0	96.6	2.06	98.1
Insilco Corp ..... N	14.8	1.00b	4.3	.....	6 mos.	06-87	172.9	- 12.3	10.6	- 7.8	.50	- 9.1	348.6	- 7.6	18.4	.5	.87	.0
La Pacific ..... N	15.4	.80b	2.1	.....	6 mos.	06-87	488.8	24.1	34.8	42.0	.91	40.0	911.7	27.2	51.1	97.3	1.34	94.2
Macmillan Bloedel ..... M	NA	.68	NA	.....	6 mos.	06-87	606.8	15.5	74.6	51.9	.68	58.1	1526.2	16.3	135.0	72.4	1.22	84.8
Manville Cp ..... N	.8	.00	.0	.....	6 mos.	06-87	517.9	5.6	41.1	- 63.1	1.46	84.8	992.9	4.9	84.0	125.8	2.98	189.3
Masco Corp ..... N	19.6	.40	1.2	.....	6 mos.	06-87	489.0	49.5	65.8	27.5	.50	25.0	939.0	47.9	121.3	25.4	.92	22.7
Mor-Flo Inds ..... M	NM	.01	.1	.....	6 mos.	06-87	49.8	3.1	.1	- 87.5	.05	- 84.4	105.3	4.6	.7	- 53.3	.30	- 50.0
Newell Co ..... N	17.4	.84	2.1	.....	6 mos.	06-87	94.7	- .4	6.5	27.5	.54	17.4	196.0	3.4	12.6	37.0	1.05	16.7
Nortek Inc ..... N	10.3	.10	.8	.....	6 mos.	06-87	333.0	48.8	2.0	- 81.8	.13	- 87.7	623.4	61.0	11.2	- 45.9	.70	- 65.2
Owens Corn ..... N	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem ..... A	16.8	.12	.7	.....	6 mos.	06-87	82.1	38.9	3.8	58.3	.32	6.7	152.7	39.2	7.1	61.4	.61	8.9
Pope & Talbot ..... N	10.5	.44	1.9	.....	6 mos.	06-87	106.3	39.7	7.2	100.0	.60	93.5	206.8	37.5	13.9	348.4	1.15	342.3
Potlatch Cp ..... N	12.8	.84	2.4	.....	6 mos.	06-87	243.9	- 2.4	22.3	14.4	.80	14.3	492.5	1.9	40.1	21.1	1.43	21.2
PPG Inds ..... N	16.0	1.08	2.3	.....	6 mos.	06-87	1333.7	10.3	102.4	11.5	.85	10.4	2594.5	10.6	189.3	17.6	1.58	16.2
Sherwin-Wms ..... N	13.4	.56	1.7	.....	6 mos.	06-87	491.6	13.8	32.4	- 8.0	.72	10.8	872.1	14.1	40.6	- 3.6	.90	12.5
Stanley Works ..... N	17.1	.88	2.6	.....	6 mos.	06-87	433.5	7.7	23.2	13.2	.54	10.2	850.3	17.0	42.4	20.5	.98	16.7
Thos Inds ..... N	14.9	.68b	3.3	.....	6 mos	06-87	80.3	4.2	4.8	11.6	.48	14.3	159.0	7.5	8.6	14.7	.86	14.7
Triangle Ind ..... N	15.8	.12	.3	.....	6 mos.	06-87	1189.2	71.3	38.1	95.4	1.30	- 10.3	2101.4	78.4	44.4	95.6	1.50	- 3.2
Union Camp ..... N	18.7	1.16	2.7	.....	6 mos.	06-87	577.6	15.7	47.8	67.1	.65	66.7	1114.6	12.1	92.0	81.8	1.25	81.2
USG Corp ..... N	9.4	1.12	2.7	.....	6 mos.	06-87	726.3	- 3.5	58.1	- 23.8	1.13	- 1.7	1419.5	3.3	143.1	11.9	2.78	41.8
Walter, Jim ..... N	17.1	1.20	2.0	.....	9 mos.	05-87	610.4	- 2.6	46.7	21.3	.60	- 53.5	1719.8	.8	112.6	27.2	2.22	- 8.6
Waxman Ind ..... M	19.6	.10	.9	.....	fiscal	06-87	32.4	17.0	1.3	30.0	.20	- 37.5	117.1	19.7	3.8	35.7	.60	- 33.3
Weyerhaeuser ..... N	20.3	1.30	2.5	.....	6 mos.	06-87	1769.2	18.2	89.2	30.4	.63	37.0	3386.5	20.8	191.1	61.4	1.38	79.2

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Dealers place increasing emphasis on stockout problem

(Continued from page 1)
his $6 million store are missing, he passes the report to his merchandise manager.

"Then we go to work on the vendors," he said.

Cole, who has increased his in-stock position from 75 percent four years ago to 94.6 percent today, is not alone in his interest in stockouts.

"When you come down to it, the greatest service you can offer is to have what people want to buy," said Dennis W. Stults, president of Scotty's, the $515 million chain based in Winter Haven, Fla.

"Stockouts represent the largest portion of any sales that are lost to a company."

A more demanding market has forced home centers to trim inventories to the bone.

Consequently, the number of stockouts—and resulting customer disappointments—has grown. Such disappointments can lead to lost sales that defeat the very profitability efficient stock management was supposed to foster.

"As we move toward more project management and more time pressure on the part of shoppers, if you fail to have what they need you may lose more than the sale," said Bob Swanson, senior vp-merchandising for Lowe's, North Wilkesboro, N.C. "You may lose the customer."

Yet, for a company like the 311-store Lowe's, a never-out-of-stock position for more than 15,000 skus would require an enormous additional investment in inventory. "You can't be in stock 100 percent of the time," said Swanson. "Your return on investment would be too low."

To decide which items it needs to be in-stock on, Lowe's designed its own computer program which tracks for each sku such conditions as when-in-stocks, sales rates, project tie-ins and replenishment.

The computer estimates lost sales that result from stockouts. From these and other factors the computer runs through complex calculations to determine optimum stock levels for each sku.

To each sku Lowe's assigns a predetermined service level, which it defines as lost sales (as calculated by the computer) divided by the potential sales represented by in-stock positions.

A certain group of skus are assigned as "never-out" items, but these do not represent a broad list, according to Swanson. "They are frequently purchased and related to larger project sales."

In April, Scotty's named Dick Fleming to the newly created position of retail inventory control manager. And over the past year the chain has been experimenting with a perpetual inventory system which is now in 17 stores and slated for a chainwide rollout.

Already, the stores on line have experienced fewer stockouts as a result of the system.

"We're not working just on gut feeling any more," said Fleming.

But for smaller dealers with no mainframe computers, optimum inventory levels are often calculated intuitively. In the real world, that can mean solving an out-of-stock situation for one item, only to see another problem develop elsewhere in the store.

Tinkering with lead times

Home centers such as Pyles, Avondale, Pa., find themselves constantly tinkering with lead times for various skus. While it's worked at Pyles—where turns have increased 44 percent to 5.6 times annually at the $4 million store through greater attention to sku movement—it's no secret constant attention must be paid to inventory levels.

"It's like turning a battleship," said H&H's Cole about inventory control. "Even if you know where it's supposed to go, it's hard to do."

Industry lines up to reap Olympic benefits

(Continued from page 1)
And potential sponsors voice little anxiety over the Summer Games being held in Seoul, South Korea, where political and labor unrest have reigned all summer.

The winter Olympics will be held in Canada February 13-28, 1988. The summer Olympics will be held in Seoul September 17 through October 2.

K mart is spending more money on Olympics-related advertising—some $30 million—than on any other single event of the year.

"The Olympics offers us an opportunity that comes around once every four years," said national advertising director Gerald Habeck.

However, the price for sponsoring the Olympics has increased "considerably" since 1984, according to Habeck. So, K mart opted not to be a full sponsor of the Olympics this year, a change from previous Olympics.

The majority of K mart's spending is for media advertising. A part of that total is for official sponsorship of the U.S. hockey team.

The U.S. Olympic Committee has raised $80 million to date from some 20 corporations, according to Philip Maher, editor of *Sports Marketing News*, Westport, Conn.

Maher said full sponsorship in the U.S. can cost from $500,000 to several million dollars, depending on the level of company commitment.

The price is even higher for worldwide sponsorship, which allows the corporation to utilize the Olympic rings in its advertising. 3M, for example, spent about $10 million for a worldwide sponsorship.

"It takes a small fortune to get involved," said George R. Thompson III, spokesman for Briggs & Stratton, the Milwaukee-based engine supplier sponsoring both the winter and summer games for the first time.

"We've been getting hundreds of calls and letters since October, when we first announced our sponsorship," said Thompson. "There's a whole Olympics cult out there.

"The No. 1 advantage is that studies have shown the public does tend to gravitate toward products of companies sponsoring the Olympics," Thompson said. ABC television said that 180 million Americans viewed the 1984 Olympics.

While Thompson acknowledged the possibility that political upheavals in Korea might lead to a boycott similar to that which occurred in the Soviet Union in 1980, he took a hopeful stance.

"All we can say is that we support the U.S. Olympic Committee," noted Thompson. "We know there is the possibility of political problems in Korea, but we are hoping for the best."

"Most sponsors don't seem to be too worried," said Maher of *Sports Marketing News*. "The smart ones promote the thing throughout the year, so whether or not the Olympics takes place is an anticlimax."

One retailer that backed off because of the sponsorship cost was Revelstoke, the $140 million company in Calgary.

Executive vp Gordon Roberts said that while the price was too steepe for Revelstoke, a lot of its employees are involved in the volunteer committees. Roberts himself is active in the clothing committee, responsible for selecting the official uniform for some 10,000 area volunteers working many of the events.

Farm chain opts for DIY with 6 units

(Continued from page 1)
gated to just a few aisles to make room for window, door and building material displays brought in two years ago.

Like the Fort Wayne store, the $15.8 million chain's remodeling consisted of installing vinyl flooring, refiguring displays into a racetrack, lowering gondolas to four feet from eight, and putting in signage for each department.

The newest Big R, Fleet Family's seventh, will open next month in Peru, Ind., north of Kokomo. "We're catering to the weekend handyman now," said Barbara Barnes, a former CPA and now assistant manager of the Fort Wayne store. In addition to its 32,000-square-foot inside retail area, it has three large lumber and building materials sheds outside.

What sets Big R apart, both explained, was a greater selection than just lumber and building materials.

"You can go down to Builders Square and find lumber, but you can't find toys or housewares," said Barnes.

Indeed, the average 30,000 stockkeeping-unit inventory offers an assortment of non-traditional home center goods like gas-powered go-karts, saddles and metal riding tractors for kids. While Big R used to carry just farm clothing, it has expanded its line to include fashion clothing.

But the units still carry plow shears and planter bearings because "we're stocking everything our customer needs," said Dawson.

For the grand reopenings, which ended during the summer, the chain used TV advertising for the first time. Dawson said the TV campaign was most successful in markets like Fort Wayne that have local stations with lower rates and better-defined audience targets.

Like many of the other farm fleet operations, Big R's best selling department remains automotive, with the traditional strong movers being tires and batteries. Home improvement products comprise the next largest sales category, followed by hardware and seasonals.

HQ Whse. targets $15M from 1.25M share offering

(Continued from page 5)
control of the firm by current management, HQ established two classes of common stock. Holders of Class A shares have voting power for 25 percent of the board of directors. Holders of Class B common stock vote for the remainder.

Grace owns 24.2 percent of the Class B stock. That percentage will not change after the offering.

When the offering is completed, the current executive officers and directors as a group (including shares owned by Grace) will retain 90.7 percent of the aggregate voting power of the company.

Dan Wewer, an analyst for Robinson Humphrey, Atlanta, thought the offering made sense from the strategic point of view, since the cash would allow HQ to undertake the expansion that will facilitate the desired volume of sales.

"The key to making the warehouse formula work is to make the volume," he said.

Home Quarters At a Glance

Six-month revenues*	$42,904,159
Six-month earnings*	$770,644
Gross margin*	25.4%
Net margin*	1.8%
Number of stores	7
Weekly sales per store**	$398,443
Store expansion by Jan. 1989	5
Total assets	$30,910,454
Number of employees	928
Merchandise purchased direct	90%
Stockkeeping units	25,000
States of operation	Va., S.C., N.C., Fla.

*For six months ended July 26.
**Weighted.
Source: HQ Warehouse preliminary prospectus. NHCN chart.

Retailers report strong 2nd quarter sales gains

(Continued from page 5)
any effect."

"What we have is momentum growing from homeowners with both the desire and discretionary income to remodel their homes," said Jim Phillips, vp-national accounts of USG Corp., Chicago.

Independents noted that commodities sales paved the way to higher second quarter sales and healthier margins.

Terry Mullin, president of the Terry Companies, Tarzana, Calif., said that, based on sales to both contractor and consumer, the third quarter stands to be the best in his company's history.

He was concerned that 1988 may slow down by mid-year.

Dave Gregory, advertising director of Star Lumber, Wichita, Kan., said despite the unsettling specter of Builders Square moving to town last May, the company still chalked up a 5 percent sales gain over last year, much of which was stimulated by the deck and fencing promotions.

In Fort Lauderdale, Fla., Scott Whiddon, director of sales for Causeway Lumber, said consolidating two company yards into one operation improved management efficiencies and helped expand sales. Whiddon added that contractor lumber sales were particularly strong.

Harlan Hummel, executive vp of the National Lumber & Building Materials Dealers Association said the consensus among affiliated member groups was that most member yards had upbeat second quarters and were positive about the rest of the year.

"Some dealers have been telling us that they are making money for the first time in four or five years," Hummel said.

Payless tops list of industry TV ad spenders

(Continued from page 6)
however, that TV advertising does not consume a bigger percentage of its budget.

Stanley Berman, executive vp-administration for Grossman's, said his chain's 190 percent increase in TV spending was due to expanding its market reach.

A Wickes Cos. spokesperson pointed out that the figures referred to by TvB relate specifically to Builders Emporium, but couldn't comment on the decrease.

Pay 'N Pak, Kent, Wash., showed a 20 percent increase which Dick Friel, vp-marketing, attributed to competitive conditions. "This dictates our promotions."

Bob Fant, Scotty's director of advertising and public relations said that his chain's 36 percent increase was due in large part to a chainwide institutional campaign.

Manufacturers sell programs with new package designs

(Continued from page 1)
increasingly important as the cost of advertising soars.

"The package has to work as an advertising tool," he says.

Rick Noel, the hardlines buyer for Scotty's in Winter Haven, Fla., says that "almost without exception the [packaging] changes have been for the better."

Since a redesign can take a year and cost at least $100,000, manufacturers say it needs to work well.

At American Standard in New Brunswick, N.J., new faucet packaging with three photographs illustrating installation replaces packages that had "all these numbers and letters and diagrams," says Bob Robison, manager of the consumer sales.

When Durabond began its repackaging effort in early 1986, it found "that consumers didn't understand what product to use for what job," says Paul Muenzen, national sales manager for the Durabond Division of USG in Chicago.

The redesigned package clearly identifies each product, its use and gives instructions for use. Manufacturers and marketing strategists say the move toward more package information has been fueled by home centers' self-service environment.

"There are fewer salespeople in the stores to answer questions," Vogler says. "So the package has to do more."

Steve Ostrolenk, vp-marketing services for Universal-Rundle, New Castle, Pa., noted that a byproduct of his company's new good-better-best packaging was that it also helped to encourage consumers to trade up.

U-R is also one of many companies with colorful, redesigned displays which complement new packaging.

Emhart, for instance, has a 24-foot, color-coded display of all its products, with specially designed headers.

Musket admits that "very few of our customers would put 24 feet of our products in their stores," but said Emhart designed the system to be used in modules, to maintain the family idea even if the full display isn't used.

Greg Fuller, merchandise manager for All-American Home Center in Downey, Calif., says his store looks for large displays to reinforce category dominance. But he thought smaller stores wouldn't be able to handle large displays.

So like other nanufacturers, Emhart has also decreased its average package size, to get more product into less shelf space.

"We are certainly not trying to be another Beatrice, with our name on everything from nuts to luggage," says Emhart's Musket. "But we feel we have a value in our name and we want to promote it."

Overseas tool makers mfg. in U.S

(Continued from page 6)
ing in the U.S. anyway."

Echo Power Equipment is in the same boat, so to speak. The Japan-based company has sold outdoor power equipment here for 17 years, said its president Don Bartelt.

Now, Echo has decided to speed up plans to build a manufacturing facility in Lake Zurich, Ill.

Without this expansion, "We would have had to raise prices substantially which would have reduced the market, or walk away from the market," Bartelt explained.

About a year ago, Makita, another Japanese-based power tool firm, made the same decision and purchased 80 acres in Buford, Ga., said Pat Griffin, assistant vp-sales and development for Makita USA, Cerritos, Calif.

Up for a year, it will take three years before the plant is producing over 30 percent of the unit volume for the United States.

Retailers, however, claim that it's not crucial for manufacturers to make products domestically as long as they have distribution.

Ernie Payton, tool department buyer for Crissey Fowler Lumber Co., Colorado Springs, Colo., acknowledged "there is no difference" between a foreign company with domestic distribution and an American company.

Executives from Highland Lumber and Supplies, a $5 million HighIndiana independent; All American Home Center, Downey, Calif.; and the 34-unit Lloyd Home and Building Supply, Danbury, Conn., shared this view.

However, foreign companies with U.S. plants will now be able to get business from dealers like Wolohan Lumber, the 35-unit Saginaw, Mich., chain which "only buy[s] from domestic makers," said buyer Tom Fleischmann.

U.S. manufacturing, though, doesn't always turn out to be the best answer. The West German AEG Power Tool Corp. made a "full contingent of electric power tools" in a plant in New London, Conn., in the early 1960s. About 10 years later, the company stopped and turned the plant into a DC, according to spokesman James Frawley.

Investment may spur Scotty's profit

(continued from page 7)
which has slumbered for the past three years while waiting for results that show the company can compete profitably.

The stock has languished at under $16 per share this calendar year, down from a high of $18.10 in 1986 and a historic $27.50 level in 1983.

Some of the reluctance on the part of outsiders has to do with the reality that new Florida competition has softened sales increases at Scotty's. Total revenues went up only 4.3 percent last year. Comparable store sales rose 4 percent.

Over the past five years, the arrival of 34 warehouse stores with about 4 million square feet of selling space, and Scotty's adding 1.6 million square feet to its own chain, have created a retail market outside of Dade County that is 600,000 square feet larger than the entire 5 million-square-foot Scotty's chain itself.

Now, Stults wants to pump some steam into store sales. "We have definite plans to grow the assortments of stockkeeping units," he said.

At its full-line stores, sku counts are slated to grow to 20,000 over the next three years, from the current level of 16,000 and 7,000 in 1982. And at the smaller hardware stores, 1,000 to 1,500 more skus are scheduled to be added to the 10,000 skus currently on the shelves.

For all stores, plumbing, electricals and automotives will get new lines. Live plants will be increased at the home centers.

By the end of this fiscal year, the company expects to add 26 units to a total of 167: six new home centers for a total of 117 (seven others will be replaced), and from 15 to 20 hardware stores for a total of between 43 and 48.

"We're satisfied with the new formats," Stults said. "We feel they represent a viable approach to help the company expand."

HWI's Wolf is honored for 4 decades of growth

(continued from page 7)
over to the business, flying or driving to conventions and store openings, or giving speeches to dealer groups.

His son Rick recalled eagerly waiting for his father to return from trips and searching for presents in his luggage. Today, at 29, "I have a family, and understand how much he wanted to spend time with the family. I have a lot more admiration for him now," Rick said.

The significance of family is something Wolf relates to personally, as his parents died when he was in grade school, and he was brought up by his older brother and sister.

It's not surprising, then, that Wolf has been a longtime member of the National Big Brothers/Big Sisters organizations. In the late 1970s, he headed its national board.

"I'm convinced business people have to put back into the communities in which they operate," said Wolf, who spoke about "plowing back quality time" into civic, church and community affairs once he retires.

But that's a ways off, and it will be hard for some people to imagine Wolf not being connected with the co-op.

A born tinkerer who worked in a garage before coming to HWI, Wolf and others built the wooden shelves for merchandise at the co-op's first 30,000-square-foot DC.

And over the years, Wolf has built up relationships with his employees, who speak fondly of his sense of humor.

But all things end and Wolf seems ready for life after HWI. He'll still tinker with his old John Deere tractors and the 1931 Ford Coupe. He'll jog a bit in the evening, chop wood and play golf.

And he will still plant, sow and sell the wheat, beans and corn he's raised for years on a small farm. Always the entrepreneur, he's already expects to plant more to supply friends asking to share his harvest.

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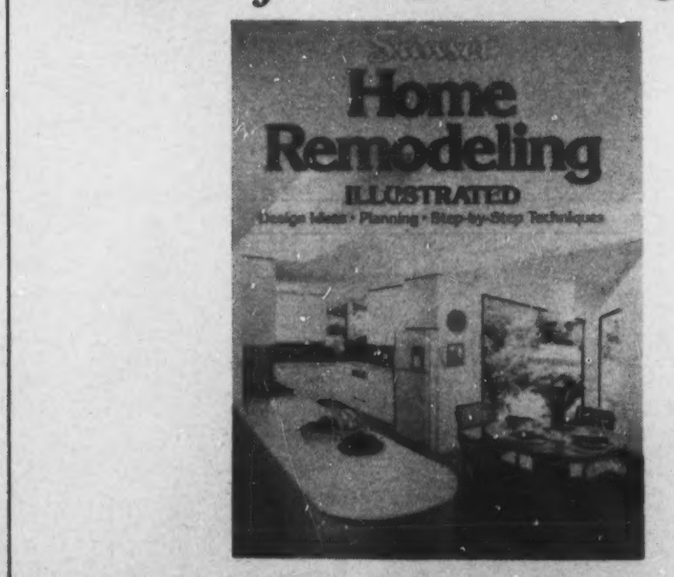
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